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SBIR/STTR Phase III: Engaging the Market

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Overview

- **Phase III Overview**
- **Resource Links**



SBIR/STTR

An Overview

Small Business Innovation Research (SBIR) Established by Congress in the 1980s

- Goal to identify small businesses that could provide a solution to the warfighter in a faster, more efficient manner than was presently available

Small Business Technology Transfer (STTR) Established in 1992

- Stimulate partnership and collaboration of ideas and technologies between innovative small businesses and nonprofit U.S. research institutions
- The focus is projects with the potential to develop into a product or service beneficial for military and/or commercial sectors

A DESCRIPTION OF PHASE III

“Work that derives from, extends or completes an effort made under prior SBIR/STTR funding agreements..., but is funded by sources other than SBIR/STTR set-aside funding.”

— SBIR AND STTR POLICY DIRECTIVES

Phase I to Success!

Phase I is a feasibility study to determine the scientific or technical merit of an idea or technology that may provide a solution to Air Force requirements

- Open Topics - 3 month PoP/\$50K award with customer discovery in addition to feasibility study
- Defense Focused Topics - Typically up to nine month period of performance, Award amount of up to approximately \$150K - \$250K

Phase II is typically a demonstration phase in which prototypes are built and tested

- Typically up to 12-24 months of technical performance, and additional months for final reporting
- Typical award amount is approximately \$750,000 but up to \$1.5M
- Most recent change: Government and private investors may match SBIR funding on a Phase II using non-SBIR funds

Phase III is transitioning a company's effort into hardware or software products processes or services that benefit the Air Force community or private sector

Phase III Description

The following meanings apply:

- “Derives from” is a broad test that refers to work that traces back to efforts performed under prior SBIR/STTR funding agreements
- “Extends” means the work can be for other application not researched or performed in prior SBIR/STTR efforts
- “Completes” means commercialization of the prior SBIR/STTR research into a commercial product or application

Phase III – Keys to Remember

Phase III award is, by its nature, a SBIR/STTR award and retains all status and rights

- **May look like a regular procurement because it can be funded by:**
 - Procurement
 - Operations and Maintenance, construction, research or
 - Any other type of agency funds
- No limit on number, duration, type, or dollar value of Phase III awards made to small business concern (SBC)
- No limit on time that may elapse between a Phase I or Phase II award and Phase III award, or between a Phase III award and any subsequent Phase III award
- Federal agency may enter into a Phase III SBIR agreement at any time with a Phase I or Phase II awardee

Phase III – Keys to Remember cont...

- Small business size limits for Phase I and Phase II awards do not apply to Phase III awards
- May award to any previous SBIR/STTR Phase I/II firm
- Subcontract to a Federally-funded prime contract may be a Phase III award
- Commercial contract
- Phase III work may be for products, production, services, R/R&D, or any such combination

Phase III – Keys to Remember cont...

DD2579 not required

- Per AFFARS 5319.201(c)(10)

Solicitations of Phase I and II satisfies competition requirements

- No J&A required under FAR 6.302-5 (see 10 U.S.C 2304 (f)(6))
- PCO prepares memo for the file (with input from PE/PM) on how the Phase III “derives from/extends/completes” previous SBIR/STTR award

R/R&D or production developed under the SBIR/STTR Program, shall issue Phase III awards to the SBIR awardee that developed the technology

- Agency must report to SBA if Phase III award made to entity other than the SBIR/STTR awardee

Data Rights – DFARS 227.7104(a) & €

DFARS 227.7014(a) prescribes DFARS 252.227-7018, Rights in Noncommercial Technical Data and Computer Software-Small Business Innovation Research (SBIR) Program

- Include in Federally funded Phase IIIs
- SBIR data rights “protection period” = life of the contract plus 20 years.

DFARS 227.7014(e) requires other clauses when DFARS 252.227-7018 included in the contract:

- DFARS 252.227-7019, Validation of Asserted Restrictions Computer Software
- DFARS 252.227-7030, Technical Data-Withholding of Payment
- DFARS 252.227-7037, Validation of Restrictive Markings on Technical Data

Negotiation of other than SBIR data rights on SBIR contracts is prohibited. (15 U.S.C. §638 (ee)(2)(C))



How to get a Phase III on Contract

The Program Office/Customer identifies technology that is ready for commercialization. Starts the acquisition process by:

- **Defining the requirement (SOO/SOW) (*start with SBIR II SOW*)**
- **Securing non-SBIR/STTR funding**
- **Providing PR Package to the Contracting Officer**
 - Period of Performance
 - Type of Government Funds
 - CDRLs
 - GFP/GFI/Base Support
 - Data Rights
 - DD 254
 - International Traffic in Arms Regulations (ITAR)
 - Other

Once the Contracting Officer has all the information needed, a letter RFP will be issued to the contractor requesting a technical and cost proposal

What to prepare for in the Contracting Process

Technical and Cost proposal is received and evaluated by the Project Engineer/Program Manager (PE/PM):

- Do not have standard technical evaluation criteria (Phase I/II criteria are provided in DoD BAA or AF CSO)
- Cost reviewed against proposed technical effort (FAR 15.404-1(d) & (e))
 - Contractor has clear understanding of the requirement
 - Proposed costs consistent with various elements of technical proposal
 - Proposed costs realistic for proposed technical approach and POP

Contracting Officer:

- Performs duties of evaluating proposed costs (dollar value), ensures all required documentation received from contractor and PE/PM, negotiates any outstanding issues, prepares contract for contractor signature, completes required reviews and makes award
- Synopsis of proposed SBIR contract action NOT required (FAR 5.202(a)(7))
- Synopsis of SBIR contract award NOT required (FAR 5.301(b)(2))



What causes delays to award?

- Requirements definition
- Funding commitments
- Technical evaluation
- Data Rights – assertions, review and possible negotiation of rights
- Contractor lacks adequate accounting system (if required by contract type)

Keys to Success!

Flexibility is the Key to Air Power

- Flexibility!
- No DD2579, J&A, Pre/Post Award Synopsis
- Any type of funds except SBIR/STTR
- Any contract type
- Use SBIR/STTR data rights clauses
- No limit on # of awards/\$ amount/duration
- Agile method to help warfighter
- Helps meet agency SB award goals
- Improves agency ROI on SBIR funding



Phase III Guidebook

https://www.afsbirsttr.af.mil/Portals/60/Pages/Publications/PhaseIII_Booklet.pdf

Here is a Phase III
Guidebook (it is not
current but
provides a wealth
of information on
Phase IIIs)

Phase III

In the news:

<https://www.hermeus.com/press-release-funded-to-flight>





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Contracting Options

Dr Rodney Couick

General Services Administration (GSA)
Small Business Innovation Research, Small Business
Technology Transfer (SBIR/STTR) Program



Overview

- GSA Assisted Acquisition Services (AAS)
- AAS SBIR/STTR Phase III Support
- Success Stories
- How to Work with AAS for SBIR/STTR Phase III Contracts



Phase III – Why?

- Streamlined access to innovative technologies
- Savings—Air Force Joint Strike Fighter example
- Phase I/II return on investment (ROI)—realizes Congressional intent to transition technology
- Tremendous economic impact--studies show \geq \$12.50 ROI
- Bridges the “valley of death” for innovative small businesses
- Current push for acquisition innovation—express preference for Phase III
 - DoD required to address SBIR/STTR in major systems acquisition plans
 - Direction from Service Secretaries, Senior Acquisition Executives
- Helps grow a robust US industrial base
- *For the innovative small business—Phase III is the path to growth and success*



GSA Assisted Acquisition Services (AAS)

- AAS is an office within the Federal Acquisition Service
- Full lifecycle acquisition support for complex requirements
- Complete spectrum (“some” to “all”) of acquisition support to award/administer contracts on behalf of federal agencies
 - Fee for service contracting activity—we focus on the contracting, customer focuses on core mission—cost recovery charge varies based on spend and level of effort required
- Customer owns technical requirement, provides Technical Expertise
 - AAS advises/selects optimal contract vehicle (GSA schedules, Government wide contracts, open market, etc.) to meet customer needs
 - AAS team issues solicitation, awards contract, manages funds, monitors performance and manages the contract through closeout
 - SBIR/STTR III--sole source to the original awardee/successor in interest



GSA/AAS Phase III Program Results FY18-3Q FY21

Socio Economic Category	# of Contracts (Orders)*	Ceiling	Obligations
8(a)	3 (21)	\$574,612,522.80	\$56,213,939.12
EDWOSB	2 (23)	\$715,000,000.00	\$55,978,793.51
HUB Zone	2 (1)	\$22,259,220.00	\$3,444,012.70
OTSB	6 (7)	\$401,934,657.61	\$42,222,054.27
SB	54 (109)	\$4,051,858,797.92	\$701,782,775.17
SDB	15 (45)	\$1,116,382,750.65	\$107,896,916.42
SDVOSB	7 (16)	\$404,655,100.01	\$59,860,244.96
VOSB	13 (36)	\$800,582,821.72	\$144,130,050.58
WOSB	12 (28)	\$1,758,976,907.34	\$236,002,622.69

- * Some awardees belong to multiple categories
- 60 Contracts awarded
 - 26 Standalone and 34 IDIQs—116 IDIQ orders
 - \$4.5B combined ceiling, \$744M funded
- Sponsor Agency: Air Force = 31, Navy/USMC = 19, DoD = 7, Army = 2, Civilian = 1



Notable SBIR Success Stories

1990—DARPA Phase I



2018 revenue was \$1.1B. Co-founder net worth > \$33M in 2011

<https://www.sbir.gov/node/1308547>

Early 90's -- \$100K Air Force Phase I



Thriving Global Industry, 21,000,000 surgeries '96-Present, \$100B

<https://vimeo.com/128527782>

2011—Navy Phase I



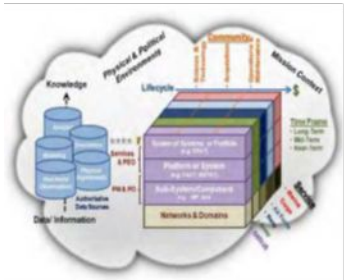
\$11M Commercial sales to date & growing

<https://www.onr.navy.mil/en/Media-Center/Press-Releases/2019/EMILY-Bahamas-Hurricane-Dorian>

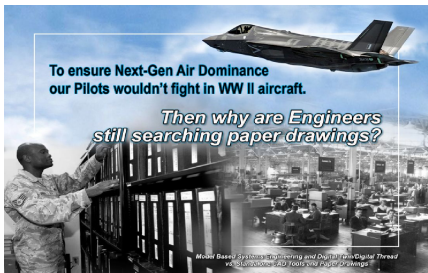


GSA/AAS SBIR III Success Stories

Provides Air Force planners with an analytical methodology for evaluating complex decisions involving future uncertainty. Through complex modeling and analytics, large sets of potential solutions are evaluated and visualized according to their "utility" versus "cost" scores, enabling wise investment decisions early in the planning phase. 5 year \$150M IDIQ. This contract helped propel the **Woman Owned Small Business** on a strong growth trajectory and was a contributing factor in the business being acquired as a wholly owned subsidiary by a large business. We have since awarded 2 additional contracts to this company for a combined ceiling of \$150M



Digital Engineering Ecosystem Development and Deployment. A \$50 million contract to an **Economically Disadvantaged Woman Owned Small Business** providing delivery of a Digital Engineering System to the Air Force Research Laboratory, the Air Force Nuclear Weapons Center, and US Marine Corps. Allows the U.S. military to produce a digital version of a planned real world system—testing, prototyping, and adapting in the virtual world—before the first physical product ever rolls off the assembly line. Digital Engineering is a top priority within DoD and this IDIQ is so successful that we increased the ceiling by \$450M within 2 years of award. Aided the company in graduating from the 8(a) program.





How to Work with GSA for a Phase III Contract

- Contact gsasbir-sttr@gsa.gov
- Work with customer finance to provide reimbursable funds (e.g. MIPR or other similar funding document)—AAS will provide instructions and assist
 - Must have a customer with funding to use AAS
- Ensure that internal approvals for using AAS have been granted—approval is a customer function—GSA can provide information and assist to some extent
- Provide a TPOC or COR to serve as subject matter expert—SBIR/STTR technology spans a very broad spectrum—customer technical expertise is imperative
- How Can GSA Help You Meet Your Mission Via an Innovative Solution?
- Questions? For follow up, rodney.couick@gsa.gov or 618-622-5801



Backup Slide—Reference/Contact Information

- Presenter: rodney.couick@gsa.gov, 618-622-5801
- All things SBIR: www.sbir.gov
- Current SBIR/STTR Policy Directive:
 - https://www.sbir.gov/sites/default/files/SBA_SBIR_STTR_POLICY_DIRECTIVE_OCT_2020_0.pdf
- USAF JSF Savings
 - <https://sbtc.org/wp-content/uploads/2018/05/JSF-SBIR-success-pkg-Distro-A.pdf>



Reference Information

- Economic Impact Studies:
 - <https://www.sbir.gov/sites/default/files/USAF%20SBIR-STTR%20Economic%20Impact%20Study%20FY2015.pdf>
 - <https://www.sbir.gov/sites/default/files/NAVY%20SBIR-STTR%20National%20Economic%20Impacts%202000%20-%202013.pdf>
 - https://sbir.cancer.gov/sites/default/files/documents/NCI_SBIR_ImpactStudy_FullReport_2018.pdf
- Senior Leader Direction:
 - https://www.navysbir.com/Docs/Navy_Stackley_Small_Business_Memo-1-12-15.pdf
 - https://www.navysbir.com/docs/Geurts_Memo8-6-18.pdf



Backup Slide—Reference/Contact Information

- LASIK Video: <https://vimeo.com/128527782>
- EMILY Video: <https://www.youtube.com/watch?v=VTvTcX0cgUo>



Backup Slide—Acronyms not Previously Spelled Out

- SB: Small Business
- WOSB: Woman Owned Small Business
- VOSB: Veteran Owned Small Business
- SDB: Small Disadvantaged Business
- SDVOSB: Service Disabled Veteran Small Business
- MIPR: Military Interdepartmental Purchase Request



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Questions?

Please type your questions in the Q&A section